NCA
VOC FOR PGM/FN
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EAST GERMAN ECONOMIC PROBLEMS

ANNCR:

WEST EUROPEAN OBSERVERS REPORT THAT EAST GERMANY FACES MAJOR ECONOMIC PROBLEMS ROOTED IN RELATIONS WITH BOTH EAST AND WEST. VOA'S JOHN ALBERT HAS THIS BACKGROUND REPORT ON SOME OF THEM.

VOICE:

OBSERVERS POINT OUT THAT ECONOMIC DEVELOPMENT IN THE GERMAN DEMOCRATIC REPUBLIC IS BEING HELD BACK BY A NUMBER OF DIFFICULTIES. EVER SINCE THE OIL CRISIS OF 1973 THE SOVIET UNION HAS BEEN CHARGIN' ITS EAST EUROPEAN ALLIES WORLD MARKET PRICES FOR RAW MATERIALS. AS A RESULT, EAST GERMANY, WHICH DEPENDS ALMOST EXCLUSIVELY ON THE SOVIET UNION FOR RAW MATERIALS, HAS DEVELOPED A HUGE TRADE DEFICIT WITH MOSCOW. INDEED, TO MAKE UP FOR THOSE INCREASED COSTS EAST GERMANY WOULD HAVE TO INCREASE ITS EXPORTS TO THE SOVIET UNION DURING ITS PRESENT FIVE-YEAR PLAN BY AT LEAST TEN PERCENT A YEAR.

ANOTHER PROBLEM IS POSED BY THE FACT THAT EAST GERMANY HAS NOT BEEN ABLE TO RAISE SIGNIFICANTLY THE PRICES IT ASKS FOR GOODS IT EXPORTS TO THE SOVIET UNION. TO MEET THESE DIFFICULTIES THE GOVERNMENT HAS STARTED A DRIVE FOR INCREASED PRODUCTIVITY AND IMPROVED WORK DISCIPLINE. AND THIS IS SAID TO HAVE BROUGHT ABOUT GRUMBLING AND EVEN SOME WORK STOPPAGES. AGAINST THIS BACKGROUND, THE GOVERNMENT HAS HESITATED TO RAISE PRICES FOR FOODSTUFFS AND OTHER ESSENTIAL CONSUMER GOODS TO MEET INCREASED PRODUCTION COSTS. SO GOVERNMENT SUBSIDIES FOR HOLDING LIVING COSTS AT AN ARTIFICIALLY LOW LEVEL HAVE SKYROCKETED.

ANOTHER SERIOUS PROBLEM, REPORTS SAY, IS WHAT MIGHT BE CALLED A DOUBLE STANDARD OF LIVING. THAT ECONOMIC FACT OF LIFE RESULTS

FROM A SITUATION IN WHICH EAST GERMANY, IN EFFECT, OPERATES WITH TWO CURRENCIES -- THE EAST GERMAN MARK AND THE WEST GERMAN MARK. FOR SOME TIME THE EAST GERMAN GOVERNMENT HAS PERMITTED ITS CITIZENS TO USE WEST GERMAN MARKS TO MAKE PURCHASES IN THE SO-CALLED "INTERSHOPS," STORES WHICH WERE ORIGINALLY INTENDED ONLY FOR FOREIGNERS. THIS HAS ALLOWED THE GOVERNMENT TO ACQUIRE LARGE AMOUNTS OF WEST GERMAN CURRENCY SENT TO EAST GERMANS BY RELATIVES OR FRIENDS IN WEST GERMANY. BUT IRONICALLY, AS A CONSEQUENCE, MANY COMMUNIST PARTY MEMBERS WHO SHUN ALL CONTACTS WITH THE CAPITALIST WEST HAVE BECOME, IN A WAY, SECOND-CLASS CITIZENS. THUS A SITUATION HAS EVOLVED IN WHICH THOSE WHO MOST STRONGLY SUPPORT THE COMMUNIST GOVERNMENT TEND TO BE EXCLUDED FROM THE HIGHER LIVING STANDARDS ENJOYED BY EAST GERMANS WHO HAVE CONNECTIONS WITH THE WEST. SOME OBSERVERS EXPECT THAT THE GOVERNMENT MAY DECLARE THE POSSESSION OF WEST MARKS ILLEGAL AND THUS BAR ITS CITIZENS FROM THE "INTERSHOPS." HOWEVER, SINCE THE NEED FOR WEST GERMANY'S STRONG CURRENCY CONTINUES, THE GOVERNMENT MIGHT FALL BACK ON THE DEVICE OF THE SO-CALLED "GENEX" STORES. THESE STORES SELL GOODS USUALLY UNAVAILABLE ON THE EAST GERMAN DOMESTIC MARKET, OR ONLY TO BE HAD AFTER MANY MONTHS OF WAITING TIME, SUCH AS AUTOMOBILES. WEST GERMANS CAN TRANSFER MONEY TO THESE STORES TO ENABLE THEIR RELATIVES OR FRIENDS TO MAKE PURCHASES HOWEVER, PRICES IN THOSE STORES ARE INFLATED SO THE GOVERNMENT GETS BOTH WEST MARKS AND PROFITS FROM THE TRANSACTIONS.

IF THIS CHANGE OCCURS, EAST GERMANY WOULD BE OPERATING, AT LEAST ON THE SURFACE, WITH A SINGLE LEGAL CURRENCY. BUT THE CHANGE WOULD NOT ELIMINATE THE FACT OF THE DOUBLE LIVING STANDARD, AND THAT POSES SOCIAL AND POLITICAL DILEMMAS.

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